



USDA Foreign Agricultural Service

# GAIN Report

Global Agriculture Information Network

Template Version 2.09

Voluntary Report - public distribution

**Date:** 11/30/2006

**GAIN Report Number:** FI6007

## Finland

### Product Brief

### Wine

### 2006

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**Report Highlights:**

The Finnish wine market has experienced significant growth and wine consumption is predicted to double within the next 10 years. In 2005, U.S. exports of wine to Finland amounted to \$8 million.

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Includes PSD Changes: No  
Includes Trade Matrix: No  
Unscheduled Report  
Stockholm [SW1]  
[FI]

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## I. MARKET OVERVIEW

In Finland, the consumption of both alcoholic and non-alcoholic beverages has increased steadily during the last 20 years, of which the highest relative increase has been seen in the consumption of wine. Of total alcohol consumption, wine accounts for only 15 percent in Finland. However, the wine market has experienced significant growth, especially between 1998-2003, growing at a rate of 6 percent. A trend towards milder beverages has thus been noted in the Finnish drinking culture, as a result of favorable monetary factors as well as a growing interest in wine per se.

Experts are predicting a transformation in the Finnish wine sector over the next couple of years and local wine consumption is predicted to double within the next 10 years. In 1990, per capita consumption totaled 8.10 liters per year and in 2002, per capita consumption reached 24.5 liters. In 2005, sales of table wines turned slightly upwards, of which red wines in this category increased by 5 percent. Sales of white wines remained the same as the previous year at 18.1 million liters and sparkling wines enjoyed an increase of 9 percent on 2004. The tax cuts that were implemented in March 2004, in which the tax rate on spirits was dropped by 36 percent, and the tax rates for wine and beer decreased by 3 and 13 percent respectively, has naturally influenced the market for these products.

Advantages	Challenges
Growing interest in wines- new world wines in particular.	High tariffs/taxes.
Tax reductions on alcohol.	Advertising illegal.
Favorable dollar exchange rate.	Increased competition from new world wine countries.
High standard of living, well-educated workforce, growing incomes.	Large cross-border trade.

## II. MARKET SECTOR OPPORTUNITIES AND THREATS

### 1. Market Size, Structure and Trends

Since Finland is not a traditional wine producing country, the wine drinking culture is not a part of established traditions. However, Finnish drinking habits have been influenced by several factors such as travel abroad, international magazines, increased concern about health as well as prices. Generally, Finns are more inclined to drink after the work week is over and will drink more in one sitting, whereas in Central Europe, for example, drinking is more spread out over meals. Finns tend to drink "harder" but are now discovering the "European" wine traditions and are becoming more interested in combining specific wines with foods. People purchase wine especially for specific occasions, such as the Christmas holidays, to match food and wine. Food and wine fairs and wine tasting festivals are thus becoming more popular each year. Hence, the Finnish consumer (especially high income consumers) is becoming increasingly attracted to wine and is opting for quality. The focus on wines with quality is reflected in a growing interest in the origin, grape composition and quality designations of the wines. A conversion from simpler wines to better wines can therefore be noticed in recent years among consumers, especially in the larger cities. Nevertheless, price is a key purchase driver in the Finnish wine market. Wine competes with spirits (especially vodka) and beer, which are the traditional alcohol drinks in Finland.

**Per Capita Wine Consumption in Finland 1990-2002**

<b>Year</b>	<b>Liters per year</b>
1990	8.10
1992	9.90
1995	14.30
1999	21.40
2002	24.49

EU products still dominate on the Finnish wine market, but are losing market share to new world producing countries such as Argentina, Australia, Chile and South Africa. Good market opportunities exist for quality wines as tastes and knowledge become more sophisticated. Other European countries such as France, Italy and Spain enjoy a competitive advantage in the market for wine. American wines have nonetheless become increasingly popular and Finland could therefore be a potential target for U.S. suppliers. U.S. exports of wine and wine products have grown in Finland, amounting to some \$8 million in 2005. U.S. wine industry representatives have participated in the ViiniExpo Trade Show (a trade show focused on wines) in Helsinki. The next ViiniExpo is scheduled for March 15-17, 2007.

The most popular red wines originate from Chile, Spain, France, Australia and Italy, comprising about 75 percent of wholesale volumes (23.3 million liters). As previously mentioned, wines coming from the new world have increased in popularity. Chile's increased market share reflects its ability to supply value for money in the budget wine category. Total wholesales of wine in Finland have now reached some 45 million liters of which Chile enjoys 22 percent of the market share at 7.8 million liters. The second supplier to the market is France at 7 million liters in 2005, followed by Spain at 6.9 million liters.

Bag-in-box sales have increased greatly in the last few years and there are currently 85 different products in this category. At present, the United States exports 6 bag-in-box wines: 3 red and 3 white. There could be great potential for U.S. wine exporters here due to the popularity of these wines. With regard to organic wines, there has been a steady but limited demand in this category the last 5 years. At present, there are 14 organic wines in the general selection and 20 in the sale-to-order collection.

The conversion to the Euro, a single currency unit for all EU countries, which replaced local currency in 2001, has helped smooth the flow of commerce. Cross border shopping to neighboring countries with lower taxes on alcohol, such as Estonia, has boomed since the Baltic States joined the European Union in 2004.

**Sales of Wine by Country of Origin**

	<b>2003</b>	<b>2004</b>	<b>2005</b>
	million litres	million litres	million litres
Chile	6.5	7.3	7.8
France	7.7	7.4	7.0
Spain	8.1	7.2	6.9
South Africa	4.9	5.4	5.5
Italy	4.8	4.2	4.2
Australia	1.4	2.0	2.8
Finland	3.5	2.7	2.6
Germany	2.1	2.1	2.4
USA	1.5	2.0	2.1
Argentina	0.8	1.3	2.0
Hungary	2.5	2.1	1.8
Other	2.8	2.6	2.6

**Red Wines by Country – 2006**

<b>January - April</b>	<b>Sales in 1000 litres</b>	<b>+ - % pr.y.</b>	<b>Share of total sales, %</b>
Chile	1,770	1,6	23,8
Spain	1,306	-11,5	17,6
France	967	-9,5	13,0
Italy	749	31,2	10,1
Australia	758	39,3	10,2
South Africa	456	-8,9	6,1
Argentina	727	56,4	9,8
USA	182	2,6	2,5
Several countries	122	1,5	1,6
Portugal	106	23,6	1,4
All countries	7,435	5,1	

**White Wines by Country - 2006**

<b>January-April</b>	<b>Sales in 1000 litres</b>	<b>+ - % pr.y.</b>	<b>Share of total sales, %</b>
South Africa	982	-9,1	18,7
France	666	2,9	12,7
Germany	605	13,2	11,6
Chile	577	-4,6	11,0
USA	496	21,9	9,5
Italy	489	3,3	9,3
Hungary	369	-11,2	7,0
Spain	356	0,6	6,8
Australia	293	34,3	5,6
All countries	5,238	2,6	

**2. Entry Strategy**

The goal of Finnish alcohol policy is to reduce consumption of alcoholic beverages for reasons of national health. In accordance, beverages with alcoholic content are taxed heavily, by international comparisons. The government operates a retailing monopoly, Alko Oy. Alko functions under the Finnish Ministry of Social Affairs and Health. Alcohol sales in Finland are dominated by Alko's 330-outlets.

Following the accession to the EU in 1995, Alko's monopoly has been relinquished on importing, wholesaling, production and exporting of spirits. With the termination of the import monopoly, more and more restaurants and caterers have started to import directly.

Alko Oy, handles all over-the-counter sales of wine and spirits containing over 4.7 percent alcohol. Only people over the age of 18 can buy wine at Alko (and over age 20 to buy spirits). Alko supplies more than 88 percent of total domestic wine sales through its some 300 stores in Finland. The other 12 percent is sold through restaurants. Approximately 200 companies are officially licensed to import and store wines and spirits. These companies can be divided into three main categories:

- The duty free market (international airports, airlines and ferry lines). There are companies that specialize in supplying cruise ships traveling on the Scandinavian seas. These companies were authorized to import, store and distribute wine after the dismantling of the import monopoly. One of the world's largest sellers of duty free spirits are ferry lines operating between Sweden and its neighboring countries.
- Central purchasing companies buying on behalf of large groups of restaurants. The main purchasing companies are actively restructuring their organization in order to be able to import, distribute and sell wine and spirits to their clients in anticipation of a possible dismantle of the retail monopoly.

- The monopoly chain Alko. However, due to Alko's strong market position and knowledge of wine, it is recommended that U.S. exporters familiarize themselves with the company's homepage and purchasing plan. All information and the forms necessary regarding wine imports to Finland can be found on the company's homepage. It is, of course, also possible to contact licensed importers/wholesalers directly. For more information on the major importers/wholesalers, please contact the National Product Control Agency for Welfare and Health. See IV. Key contacts and further information.

According to Finnish law, beverages with more than 22 percent alcohol content cannot be advertised publicly. Prices of such drinks do not even appear on Alko's website. Active marketing towards consumers will continue to be highly restricted.

### **3. Company Profiles**

#### **Distribution Channels**

The distribution of wine in Finland has undergone radical change since Finland became a member of the European Union. The import, wholesale and production monopolies, previously held by the Alko Group, have now been abolished and the market has opened up to competition. Imports are now handled by special wine and spirits agents and wholesalers (such as Kesko, for example). Alko is still the largest single importer of wines.

The Finnish Food Marketing Association has challenged the authority of Finland's state alcohol monopoly Alko. It has taken its case to the European Union, saying that the monopoly is illegal. The Association demands that the European Commission investigates the legality of Alko's hold over the wine and spirits market. The Association also suspects that Alko has unfairly used its position as the only liquor retailer. In addition, the organization challenges the logic of the monopoly, saying that consolidating alcohol in the hands of state retailers has not prevented the rise of alcohol-related social ills. This issue is under official discussion at the moment.

#### **Alko Group**

Alko is regulated to operate fairly and transparently. It does not produce or market any products of its own. It purchases products from domestic and foreign producers (and distributors) and the purchasing, listing, de-listing and pricing criteria are designed to be impartial and non-discriminatory.

There are currently more than 150 licensed importers that supply Alko. Alko imports certain wines directly from producers, in cases where it is considered that the producer is capable of servicing the Finnish market directly in terms of product launches and media contacts. These arrangements provide enhanced opportunities for marketing to restaurants. However, when it comes to retail trade – which accounts for the vast majority of table wine sales – the wine must be listed and sold through Alko's retail monopoly. It is strongly recommended that U.S. suppliers familiarize themselves with Alko's listing procedures before making direct contact with Alko. Alko does not currently receive many offers from U.S. exporters and the state owned retail chain would welcome more offers from U.S. wine exporters.

As mentioned, Alko is a trading chain specialising in alcoholic beverages and the company has a vast selection of wines originating from 28 different countries. The knowledge of wines is great among Alko's employees and with the growing interest in wines among the Finnish population, the selection of quality wines is on the rise. The price range in Alko's selection of

wines varies greatly, with the cheapest wines at a price of 4-5 euros. In 2002, monopoly wine sales reached 39.4 million liters, which is an increase of 11.7 percent compared to the previous year. In addition, restaurant wine sales totaled a sales volume of approximately 3.2 million liters. 70 percent of red wines sold in 2005 were in the price category of under 7 euros. The lowest priced white wines, under 5 euros, accounted for 22 percent of all white wine sales. The Finnish population generally favors wines that cost less than 10 euros. About 95 percent of sales come from wines that cost between 6-10 euros. The following table shows the predominance of wine sold in the budget category.

<b>Sales breakdown in 2005 by price category</b>			
<b>Cost</b>	<b>Red wines</b>	<b>White wines</b>	<b>Sparkling wines</b>
Under €6	32.9%	65%	34%
€6–6.99	29.2%	19.5%	10.8%
€7–9.99	26.3%	13%	41%
€10+	4.3%	2%	14.3%

Each month Alko calls for 'service products' to supplement its general selection range. Service products are wines with low-volume sales that Alko stocks to ensure that its range of wines is diverse and representative. Service products are selected through a process of competitive bidding for a maximum of three years at a time and those that sell well stand a chance of becoming part of Alko's general selection.

Alko specifies the service products in demand, for example:

Product: Red wine

Country of origin: USA, for example

Wine Type: Zinfandel with screw cap (may be an advantage)

Bottle size: 0.75-litre bottle

Estimated sales: 800 bottles per year

Retail price: €8-10

Interested suppliers are advised to check Alko's website where specifications for service products are published.

### **Kesko Food**

The central purchasing company Kesko Food is the market leader in Finland in the sales of alcoholic beverages targeted at restaurants. Its product selections include over one thousand alcoholic products, of which more than half are wines. About 20 of the wines are own label products. In the next few years, Kesko Food intends to launch more own wines and strong alcoholic beverages on the retail market as the company would like to offer Alko new products whenever their request is for beverages in which Kesko co-operates with producers.

Meira Nova is also a leading market player when it comes to supplying restaurants with food and wine. Central purchasing companies such as Kesko and Meira Nova would experience great benefits from the possible dismantling of the monopoly. For additional information on the major actors on the market please contact the National Product Control Agency for Welfare and Health. See IV. Key contacts and further information.

### **Internet**

Internet based sales of alcohol are becoming more popular in Europe, and Finland. On August 1, 2006, [www.viinisaitti.com](http://www.viinisaitti.com) was launched in Finland. It is not clear, however, if sales of alcohol on the internet are legal. The Finnish Customs has decided that it is illegal and has



seized some 84,000 litres of beer, wine and spirits from previous internet alcohol sales and there is a risk that the consumer will not receive orders placed. If it is decided that alcohol sales on the internet are legal (i.e. that free trade within the European Union also should include alcohol) there may be great potential for U.S. exporters to enter the market via web based sales of wine/alcohol.

### III. COST AND PRICES

#### Tariffs, Regulations and Customs

Finland is a member of the European Union (EU), and thus, the import regime of the EU applies. In Finland, alcoholic beverages are subject to:

- Alcoholic beverage tax. Taxes are based on alcohol content of the product and vary between 4,5 cents per/liter to 212 cents per liter for wine
- A surcharge when in retail sale containers - unless these are refillable or recyclable
- General value added tax (VAT)

As can be seen from the example below, prices in Finland are higher compared to international standards due to the tax system.

Example:

Bottle size 0,75 liter

Alcohol content of 8% vol.

	Euros	share of retail price
Purchase price + Alko's margin	3,25	54%
Alcoholic beverage taxes and package handling charges	1,65	28%
VAT	1,08	18%
Retail price	5,98	100%

### IV. MARKET ACCESS

#### Labelling/Production

As a member of the European Union (EU), Finland applies EU wine labeling rules laid down in Annex VII to Council Regulation 1493/1999. An overview of the mandatory information required on wine labels are given in USEU GAIN Report E36067

<http://www.fas.usda.gov/gainfiles/200604/146187574.pdf>

### V. KEY CONTACTS AND FURTHER INFORMATION

Alko Group – [www.alko.fi](http://www.alko.fi)

Kesko Ltd. – [www.kesko.fi](http://www.kesko.fi)

Meira Nova Oy – [www.nettitilaus.meiranova.fi](http://www.nettitilaus.meiranova.fi)

Government, business and trade resources for Finland

Finnish Government – [www.valtioneuvosto.fi](http://www.valtioneuvosto.fi)

Finnish Customs – [www.tulli.fi](http://www.tulli.fi)

Invest in Finland – [www.investinfinland.fi](http://www.investinfinland.fi)

National Product Control Agency for Welfare and Health - [www.sttv.fi](http://www.sttv.fi)